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RHMFUUU/DEPT OF ENERGY WASHINGTON DC PRIORITY

RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

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SIPDIS

SENSITIVE

DEPT FOR EUR/RUS, EEB/ESC/IEC GALLOGLY AND GREENSTEIN,

S/EEE MORNINGSTAR

DOE FOR HEGBURG, EKIMOFF

DOC FOR JBROUGHER

NSC FOR MMCFAUL, JELLISON

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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)

SUBJECT: DOE PDAS ELKIND'S VISIT TO MOSCOW

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Summary  
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1. (SBU) DOE Principal Deputy Assistant Secretary for Policy and International Affairs, Jonathan Elkind, visited Moscow September 21-22 to meet with his counterparts at the Ministries of Foreign Affairs, Energy, Science and Education, Economic Development and Natural Resources. As Coordinator for the Energy and Environment Working Group (WG) under the Bilateral Presidential Commission (BPC), he discussed the structure of the WG and potential areas of cooperation. Meetings were also held with the World Wildlife Fund, the American Chamber of Commerce (AmCham) and the Petroleum Advisory Forum (PAF).

2. (SBU) The Russian consensus was that Environment needs its own WG. PDAS Elkind emphasized DOE's desire to be flexible and pragmatic on the WG structure. He promised to convey the GOR message to Washington, but cautioned that the decision to change a WG would be made at a higher level. Elkind told each of his counterparts that Russia's intellectual capital and resource endowment puts it on a short list of countries in a position to lead the development of the energy future for the planet. End summary.

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Ministry of Foreign Affairs  
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3. (SBU) Deputy Director for the North American Department, Nikolay Smirnov, said he expected some overlap among the WGs, and that it was not a problem. The MFA would leave it up to the Energy Ministry and Ministry of Natural Resources to work out their differences. He supported a sub-WG on energy security (to be chaired on the US side by Ambassador Morningstar) and emphasized the importance of finding a place for Arctic issues in the BPC. Smirnov thought the Energy Ministry would provide a counterpart for Morningstar, but was not sure. Elkind noted that the U.S. side would be supportive of a structure that allows the WG to move forward.

He also sought to clarify the role of outside experts in the WG, stating that their input would be crucial, but an official seat at the table could cause legal problems.

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Ministry of Energy

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¶4. (SBU) Deputy Energy Minister Anatoly Yanovsky told Elkind that it would be best to split energy and environment into separate working groups. Ministry of Natural Resources representative Andrey Peshkov, who attended the meeting, agreed. Yanovsky and Elkind shared the opinion that DOE-Ministry of Energy cooperation would only include those environmental issues directly related to energy. Yanovsky also expressed a desire to see the Energy Security and Markets sub-group set up, and wanted it to address "legal regimes for international cooperation."

¶5. (SBU) PDAS Elkind delivered a letter from Secretary Chu to Energy Minister Sergei Shmatko, inviting him to meet in the fourth quarter of 2009, perhaps in Europe on the sidelines of a multilateral gathering. Yanovsky said the Russian side had not yet designated a counterpart to Elkind to coordinate WG activities, but that it would provide that information in the near future.

¶6. (SBU) Both sides agreed to finalize the DOE-Energy Ministry MOU on cooperation in preparation for a Chu-Shmatko meeting this fall, at which both sides could sign the document. The MOU was drafted in June by the USG as follow-up to a meeting between Minister Shmatko and Deputy Energy Secretary Poneman in Moscow. The document was cleared by the U.S. interagency and submitted to the Russian side before the BPC was created at the Summit between President Obama and President Medvedev. The MOU, it was agreed, would be revised to reflect the role and structure of the BPC.

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Ministry of Science and Education  
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¶7. (SBU) The Head of the International Department of the Ministry of Science and Education, Vladislav Nichkov, said there were abundant existing avenues for cooperation in addition to the three WGs that FASI was involved in. He asked that DOE check on the status of three bilateral agreements on science and technology cooperation up for review or renewal. Elkind promised to do so.

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Ministry of Economic Development  
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¶8. (SBU) Oleg Pluzhnikov, Deputy Director for Structural Reforms at the Ministry of Economic Development, told Elkind that he expected the State Duma to pass a new law on energy efficiency by the end of the year. In principle, the codes and standards would mirror EU standards and would, among other things, provide incentives for consumers to install power meters and cause a phase-out of incandescent light bulbs, which would no longer be allowed for sale. The Ministry of Economic Development has not been involved to date with the Energy and Environment Working Group, but did not anticipate problems in working with the Energy Ministry under the BPC. Pluzhnikov said his Ministry is responsible within the Russian Federation for energy efficiency legislation, some climate change issues, and energy saving mandates. Pluzhnikov noted that Kyoto implementation was not a priority for the GOR.

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Ministry of Natural Resources  
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¶9. (SBU) After spending 20 minutes reciting the Ministry's charter and summarizing its work under bilateral agreements with the US dating back to 1972, Vladimir Ivlev, Head of the International Cooperation Department of the Ministry of Natural Resources, said that MNR wanted an independent WG for

environmental issues. He also expressed an interest in more direct cooperation with DOE. Elkind reiterated DOE flexibility, but left it to the Russian side to arrange their WG representation. He agreed to look into new areas of cooperation for DOE and MNR.

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World Wildlife Fund  
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¶10. (SBU) WWF Climate Change Program Coordinator Alexey Kokorin said that policies to reduce gas flaring and increase energy efficiency will help lower Russia's greenhouse gas emissions, but the GOR was not motivated by climate change to pursue these goals. He said that unlike their fellow ministers, Yury Trutnev (MNR) and Sergey Shoigu (Emergency Situations) understand the scope of the problem because they have to deal with the consequences of climate change. The problem, Kokorin said, is that the danger is not felt in Moscow, only Kamchatka; "Russia has had no equivalent to Hurricane Katrina." Kokorin does not believe that Russia will make a meaningful commitment at the UN Framework Convention on Climate Change (UNFCCC) Conference of Parties in Copenhagen in December 2009. Russia's declared emissions reduction target represents in fact an increase over current levels, but he cautioned that little fuss should be made over Russia's lack of ambition here, as the target was based on unrealistically high annual economic growth projections and won't, in reality, be reached. What matters is that the GOR is considering treating the 30 billion tons of carbon it will have avoided emitting over the 30 years between 1990 and 2020 due to the fall of the USSR and subsequent economic collapse as a "donation" toward global carbon reduction targets. Kokorin recommended that USG and EU leaders recognize Russia's "30-30" commitment as "a big deal" and praise Russia's leadership. Kokorin hoped Minister Trutnev would lead the Russian delegation to the UNFCCC negotiations in Copenhagen, as it would raise the stature, but he thought this was unlikely. Kokorin noted the impact of more extreme

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weather on energy infrastructure, including power transmission lines, suggesting this as an area for fruitful bilateral cooperation. He also suggested the USG might seek ways to support the development of Russia's biomass (wood pellet) industry, given the volume of timber waste and unused agricultural land.

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AmCham  
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¶11. (SBU) Elkind met with two groups convened by the American Chamber of Commerce. With AmCham's energy committee, he discussed current obstacles and opportunities in the oil and gas sector in Russia. With a small group that included representatives GE, Alcoa, and Chevron, he discussed energy efficiency business opportunities for American firms. On efficiency, the businessmen's general message was that joint ventures with state-owned companies and procuring Russian content, or setting up local manufacturing were keys to success. Heavy energy users like Alcoa are not likely to make major energy efficiency upgrades until there are tax incentives to support that.

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PAF  
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¶12. (SBU) PAF Executive Director Vlad Konavalov told Elkind that the Ministry of Energy is not open to advocacy by his organization, which represents Western oil and gas sector firms. Instead, the Energy Ministry is open to lobbying from Russian energy firms and represents their interests within the government. However, PAF does have good relations with MNR, specifically Deputy Minister Donskoy, who heads the

Foreign Investment Advisory Council and oversees policies on subsoil use. Konavalov said there had been a noticeable decrease in negative attitudes toward American firms in recent months. Konovalov noted that Western direct and indirect investment, including portfolio and minority equity stakes, amounts to approximately 20 to 25 percent of the Russian oil and gas sector -- a far higher number than widely thought.

¶13. (U) PDAS Elkind has cleared this cable.  
Rubin